



SENATE MAJORITY POLICY OFFICE

ISSUE BRIEF

Issue: The International Registration Plan

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HIGHLIGHTS

- The IRP provides an umbrella for all participating jurisdictions to get their "fair share" of registration tax revenue.
- Motor carriers are required to register their "apportionable" vehicles in their base jurisdiction. Apportionable vehicles do not include trailers.
- Revenue is collected by the base jurisdiction, and distributed proportionally among the jurisdictions the motor carrier drove through based on the number of miles driven in each jurisdiction.
- Trailers pulled by motor carriers engaged in interstate are given reciprocity by all jurisdictions and trailer registration is not shared.
- This effectively nullifies "price shopping," with respect to tax burden, by motor carriers and where they register their vehicles. They must register them where they are based.

Short Summary

The International Registration Plan (IRP) provides an umbrella for all participating jurisdictions to get their "fair share" of registration tax revenue, regardless of the base jurisdiction of a commercial operator. Revenue from registration taxes on "apportionable vehicles" is distributed proportionately based upon the percentage of miles traveled in a given state compared to the total miles traveled.

Because Michigan all surrounding states and provinces of Canada participate in the IRP, if Michigan's registration tax on commercial motor vehicles increases, the tax base for the state will not be appreciably affected.

History of the IRP

The lower 48 states and the ten provinces of Canada participate in the International Registration Plan (IRP). This international reciprocity agreement constitutes an effort to further make trade within the continent as equitable and easy as possible by removing barriers to trade between states and provinces. This agreement took off particularly quickly soon after the 1988 passage of the Free Trade Agreement (FTA) between the United States and Canada. The early 1990s brought about a series of reforms and international agreements, including mandating that all states participate in the IRP.

The IRP was a concept dating back to 1964 with the American Association of Motor Vehicle Administrators (AAMVA) beginning the conversation and drafting the initial IRP. The IRP became international in 1974 when Alberta signed on, and throughout the next 20-30 years all 48 lower states signed on.

Prior to the IRP being drafted and participation of member jurisdictions, multiple reciprocity agreements existed regionally among the states to cover the inter-jurisdictional movement of goods. With multiple agreements came multiple sets of rules and regulations, and while not necessarily adding confusion, the diversity certainly added burden to industry and commerce. Additionally, while these reciprocity agreements provided an avenue for operating between two jurisdictions, if a motor carrier operator was registered in one state, but had some work that remained wholly within a different jurisdiction, they would have to "double plate" their vehicle. This means they had to get a temporary permit for the jurisdiction(s) where they had intrastate operations if that

jurisdiction(s) was not their primary base of operations.

How the IRP Works

The IRP provides an umbrella for all participating jurisdictions to get their "fair share" of registration tax revenue, regardless of the base jurisdiction of a commercial operator. Revenue from registration taxes on "apportionable vehicles" is distributed proportionately based upon the percentage of miles traveled in a given state compared to the total miles traveled. This makes the IRP substantially similar to the later-adopted IFTA, likely serving as the foundation IFTA was drafted upon.

Apportionable vehicles are defined in the IRP are defined essentially to mean the motorized vehicle in a commercial vehicle combination, or more simply the truck or truck-tractor. Trailers are not apportionable vehicles under the IRP, which will be discussed further below. Apportionable vehicles are required to register in their "base jurisdiction" of operation. For instance, a trucking operation based in Michigan that does some shipping into Indiana, Ohio, and Ontario is based in Michigan; thus, the trucks and truck tractors must be registered in Michigan. Revenue collected by Michigan will then be disbursed to the jurisdictions proportional to each truck's percentage of overall miles driven in the different jurisdictions.

Trailers and the IRP

Trailers are a little bit more complicated with respect to registration taxes and purchasing plates. Trailers are specifically precluded from being considered an apportionable vehicle under the definition within the IRP. However, Section 404 of the version of the IRP prior to the 2008 rewrite (now Section 515), states that trailers "properly registered in any Jurisdiction shall be granted full and free reciprocity." While intended (as seen in the official commentary adding the section) to apply to trailers being used in interstate rather than intrastate commerce, the Michigan Court of Appeals ruled that regardless of the intended commercial use of a trailer, reciprocity must be granted. Many view this opinion as being an erroneous interpretation of the intent of the IRP trailer section, and discussion continues to take place to figure out how to assess and enforce trailer registrations.

Note: This is why you will see an abundance of semi-truck trailers with Maine registration plates, in particular. This is also what Mark Limback and Brandon Sloan from Universal Truck Load Services were referencing when they stated that more companies would register out of state. This is for trailers only, not for registrations for truck/tractors and weight-based registration taxes.

This directly affects Michigan's registration tax revenue from commercial truck trailers. Part of the issue is that in 2003, the Legislature enacted a bill to move from an annual trailer registration to a far more expensive permanent plate. This was a gimmick to achieve one-time revenue in order to meet federal match requirements for the 2004 Fiscal Year. Since the change to permanent trailer plates, Michigan's registration revenue has declined sharply, leading to the Michigan State Police to attempt enforcing registration of trailers in Michigan, leading to the aforementioned Court of Appeals case.

The IRP and the Transportation Revenue Package

Part of the Governor's proposed package and the package introduced in the Senate is an increase in registration taxes in Michigan. Some have stated in testimony and in the press that an increase in registration taxes would cause trucking operations to register in other states – that is not accurate as it pertains to apportionable vehicles. These vehicles are required to register in Michigan if Michigan is their base jurisdiction. It is possible that a company would move its base jurisdiction; however, that would be far more expensive than having an increase in truck registration taxes.

Additionally, while more trailers could be registered in other states, companies are doing that already. Part of the proposed package of bills (Senate Bill 86) is a suggested rewriting of the registration tax portion of the

Vehicle Code. The proposal not only reduces the number of registrations and removes special carve-outs from paying equitable registrations for certain businesses, but also moving back to a 5 year plate for trailers at a significantly reduced cost in order to try to recapture that lost revenue. Additionally, making trailer plates transferable to other trailers would also add a significant benefit to those with registered trailers.

Conclusion

Due to this international and interstate agreement, registration taxes for commercial vehicles are largely not an issue with respect to registration tax increases. Because this agreement is intended to deal with tax differentials between jurisdictions – and distributing to each state their fair share of revenue – from a commercial vehicle perspective a tax increase should have little, if any, impact on commercial operations.